

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CUMBERLAND VALLEY)	
RURAL ELECTRIC COOPERATIVE CORPORATION)	CASE NO.
FOR CHANGES IN ITS UTILITY PLANT)	92-531
DEPRECIATION ACCOUNTS)	

O R D E R

On February 5, 1992, Cumberland Valley Rural Electric Cooperative Corporation ("Cumberland") filed its 1991 Depreciation Study ("Study"). Cumberland did not request Commission approval of the Study's recommendations, but instead sought approval of depreciation rates which are lower than its existing depreciation rates.

Based upon its plant balances as of December 31, 1991, the Study recommends changes in certain parameters and the use of remaining life technique which will achieve a composite depreciation rate of 7.45 percent for distribution plant accounts and increase annual accruals by \$648,407. It also recommends a composite rate for general plant accounts of 7.17 percent which will increase annual accruals by \$600,189. The total increase in annual depreciation accruals under the Study's recommendations will be \$1,248,596. Cumberland's current composite depreciation rate is 5.00 percent.

The Commission finds the Study to be seriously flawed. It fails to reflect Cumberland's efforts to reduce a serious depreciation reserve deficiency which Cumberland experienced in the

mid-1980s. In 1987 Cumberland adopted its existing depreciation rates in an effort to address this problem. As a part of this effort, the Rural Electrification Administration ("REA") authorized Cumberland to make "out of period" adjustments to reduce the reserve deficiency.

The Study also fails to reflect the completion of a major rebuilding program which Cumberland undertook during the 1980s. It assumes that Cumberland will continue to rebuild and modernize at recent levels.

Cumberland proposes lower depreciation rates than those recommended in the Study.¹ It requests changes in the depreciation rate for each of its distribution plant accounts which would produce a composite depreciation rate of 4.01 percent and, based upon its plant balances of December 31, 1991, decrease annual depreciation accruals by \$284,927.69. It further proposes to maintain its current general account rates. The effective booking date for the proposed changes is July 1, 1992.

Commission Staff has carefully reviewed and analyzed Cumberland's request and has recommended its approval. The Attorney General, the only intervening party in Cumberland's last

¹ Letter from Wayne Bryant, Accounting Supervisor, Cumberland Valley Rural Electric Cooperative Corporation, to Wayne Bates, Manager, Telephone and Electric Branch, Engineering Division, Public Service Commission of Kentucky (Sept. 3, 1992) (discussing depreciation proposals).

general rate case,² was notified of Commission Staff's recommendation and offered the opportunity to comment. No comments were received.

Having reviewed the Study and being otherwise sufficiently advised, the Commission finds that Cumberland's proposed depreciation rates are reasonable and should be approved.

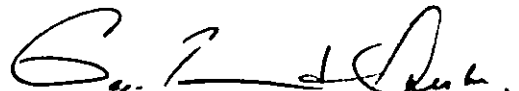
IT IS THEREFORE ORDERED that:

1. Cumberland's proposed depreciation rates, as set forth in the Appendix to this Order, which is attached hereto and incorporated herein, are approved.

2. Cumberland's records shall reflect the approved depreciation rates for distribution account rates for the period beginning July 1, 1992.

Done at Frankfort, Kentucky, this 7th day of December, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

² Case No. 7999, In the Matter of the Application of Cumberland Valley Rural Electric Cooperative Corporation for an Order Authorizing an Increase in its Basic Retail Rates, Applicable to all Customers.

APPENDIX A

**APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE
NO. 92-531, DATED DECEMBER 7, 1992.**

Cumberland Valley RECC
Depreciation Parameter Report

<u>Account Number</u>	<u>Class of Plant</u>	<u>Original Cost at 12-31-91</u>	<u>Accrual Rate (%)</u>	<u>Annual Accrual</u>
364	Poles, Towers, and Fixtures	58,740,162.15	4.71%	\$ 411,661.64
365	Overhead Conductors and Devices	8,822,846.23	4.06	358,207.56
367	Underground Conductors and Devices	213, 840.01	3.55	7,591.32
368	Line Transformers	5,262,029.64	2.72	143,127.21
369	Services	2,789,962.10	4.63	129,175.25
370	Meters	1,088,414.93	2.06	22,421.35
371	Installation on Customers' Premises	<u>1,057,511.45</u>	4.78	<u>50,549.05</u>

Total Distribution Plant = \$27,974,766.51

Annual Accrual = \$1,122,733.38

Annual Decrease in Accrual = \$284,927.69